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AICPA *Washington Report*

July 13, 1981, Volume X, Issue 20

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FARM CREDIT ADMINISTRATION

The discounting of agricultural paper and authority to finance international transactions by banks and cooperatives were two subjects of proposed new and amended regulations recently issued by the Federal Farm Credit Board of the FCA (see the 7/7/81 Fed. Reg., pp. 35109-117). The proposal would implement two major authorities conferred on institutions of the Farm Credit System by the Farm Credit Act Amendments of 1980. Under the proposal banks would be authorized to make loans and commitments to eligible cooperatives and to extend other financial assistance including the discounting of agricultural paper. The proposal also authorizes banks to provide a full range of credit services to cooperatives enabling them to engage in international trade. Further, greater flexibility in the setting of interest rates and approving of individual rate changes by Farm Credit banks is also included in the proposal. Comments are requested by 8/31/81. For additional information contact Larry Bacon at 202/755-2181.

FEDERAL HOME LOAN BANK BOARD

Regulations that will expand the authority of federally-chartered savings and loan associations to use interest rate futures to reduce their exposure to the effects of interest rate fluctuations were finalized by the Board on 7/2/81. The regulations would reduce the earnings volatility that can result from mismatches in the effective maturities of their assets and liabilities. According to Bank Board Chairman Richard T. Pratt, the revised regulations were designed to allow federal associations to make full use of the futures markets within the framework of reducing their net interest rate risk exposure and through hedging strategies developed by each association. "The regulation is designed to permit local management, not the regulators, to make the business decisions that are crucial to an effective hedging strategy." The amended regulation authorizes federal associations to use any interest rate futures contract designated for trading by the CFTC, provided that the security on which the futures contract is based is one in which federals are legally authorized to invest. Additionally, the regulation provides general authority to use futures contracts to reduce the net interest rate risk exposure to which associations are subject. The regulation prohibits long futures positions, except to a limited extent for those associations using them in connection with mortgage banking operations. The amended regulations are effective as of 7/10/81. For additional information contact Bob Moore at 202/377-6677.

The continued removal of restrictions on the assets of savings and loan associations to enhance the financial viability of the industry was proposed by Bank Board Chairman Richard T. Pratt in a 7/8/81 briefing for members of the President's Commission on Housing. According to Mr. Pratt, the FHLBB will soon ask Congress for "sweeping legislative changes which would virtually amount to rewriting the 1933 Home Owners' Loan Act to allow institutions statutorily to choose the line of business they will be in. The Board believes that the de facto direction in the deregulation of the purchase of funds must have a logical sequence in the sale of funds." Mr. Pratt said a bill intended to achieve the Board's proposal has been sent to the White House and the Treasury Department for review. The legislation would allow savings and loan institutions to have demand-deposit accounts--or checking accounts--for businesses. Mr. Pratt noted that if the measure is enacted, an S&L "would really be able to be a commercial bank if it chose so."

FEDERAL TRADE COMMISSION

A schedule for reviewing rules which may significantly impact small businesses was recently announced by the Commission (see the 7/7/81 Fed. Reg., pp. 35118-19). According to the schedule, a list will be published annually describing the rules to be reviewed during the coming year. It will include a brief description of each rule and an explanation of its need and legal basis. In all, 22 FTC subject areas are scheduled to be examined over the next eight years. Among the first rules to be reviewed, beginning 11/1/81, are those dealing with door-to-door sales, mail order merchandise, the pre-sale availability of warranties, and trade regulation concerning disclosure requirements of business opportunity ventures. Copies of the schedule may be obtained by contacting the FTC's Public Affairs Office at 202/523-3830. For additional information contact William Sanger at 202/254-6122.

GENERAL ACCOUNTING OFFICE

Charles A. Bowsher, CPA, is President Reagan's nominee to be the next Comptroller General of the United States, according to an announcement by the President in Washington, D.C. on 7/9/81. Mr. Bowsher was chosen from a select list of candidates compiled by a special Congressional Commission which was created by Public Law 96-226, the "General Accounting Office Act of 1980." After his anticipated confirmation by the Senate, Mr. Bowsher will assume a 15 year term as head of the U.S. General Accounting Office, a position vacant since the recent retirement of the Honorable Elmer B. Staats. Mr. Bowsher is currently the Managing Partner of Arthur Andersen & Company's Government Services Industry Program, a position he has held since 1971. In 1967, Mr. Bowsher was nominated by President Johnson as Assistant Secretary of the Navy (Financial Management) and confirmed by the Senate. In this position, Mr. Bowsher had the responsibilities of Comptroller and Chief Financial Officer, including direct supervision of an annual budget of over \$20 billion, a budget department of 250 people, an accounting and systems department of 4,500, and an internal audit staff of 500. He was reappointed to this position by President Nixon and served until 6/30/71 when he resigned to return as a partner of Arthur Andersen & Co. He is a recipient of the Navy Distinguished Public Service Award and the Department of Defense Distinguished Public Service Award. He was graduated from the University of Illinois and received an M.B.A. from the University of Chicago. As Comptroller General Mr. Bowsher will have the responsibilities of: prescribing accounting principles and standards to be followed by all Federal agencies; assisting agencies in the development of, and approving their accounting systems; cooperating with the Secretary of the Treasury and the Director of OMB in developing - for use by all Federal agencies - standardized information and data processing systems and standard terminology, definitions and classifications for Federal fiscal, budgetary and program-related data and information. Additionally, he will deal with issues concerning the legality of payments and the awarding of Government contracts. His decisions are considered binding upon the Executive Branch. Further, he may issue subpoenas, inspect business premises and books, and promulgate rules and regulations necessary for carrying on the work of the GAO, including those for the admission of attorney's to practice before it. Mr. Bowsher is a member of the AICPA. His candidacy was unanimously endorsed early this year by the AICPA Board of Directors.

SECURITIES AND EXCHANGE COMMISSION

Financial statement requirements for management investment companies have been standardized under amendments to Regulation S-X, Forms N-1 and N-2 and Rule 30d-1 recently adopted by the Commission. The amendments eliminate most of the differ-

ences between the requirements applicable to financial statements in shareholder reports and those applicable to prospectuses in registration statements. By this action the Commission is removing most of the detailed financial statement instructions which were previously in the registration statement forms and the rule governing shareholder reports. Therefore, management investment companies will be able to prepare annually a single set of uniform updated financial statements that may be used in both the prospectus or annual update of the registration statement and the annual report to shareholders. In addition, open end management investment companies at their option will be able either to incorporate financial statements included in any shareholder report by reference into the prospectus or to transmit a currently effective prospectus as the equivalent of any report to shareholders. The amendments are effective for filings after 10/4/81. For additional information contact Diane O'Donnell at 202/275-2095.

SPECIAL: FAF EXPRESSES SUPPORT FOR PROPOSED GASB

Support for a proposed Government Accounting Standards Board for state and local governments was recently expressed by the Financial Accounting Foundation. The support, in a letter to the GASB Organizing Committee (GASBOC) represents a change in position for FAF which had been critical of the separate board concept since it was proposed 2/81 by the ad hoc committee of accounting and government groups. FAF support is based on the conditions that the proposed GASB be modeled after the FASB and be under FAF oversight. The FAF would also help finance the proposed board according to a 6/23/81 GASBOC proposal. The FAF trustees indicated that their oversight responsibility would include final authority over a number of issues including: the nature, operating structure and procedures of the new GASB; GASB's location and budget; the raising of funds for the GASB and general oversight of the structure and operations of the GASB. The FAF trustees also indicated they are willing to go along with a GASBOC recommendation to expand the FAF board to include 3 governmental representatives.

For additional information, please contact:
Jim Kovakas, Gina Rosasco or Nick Nichols
at 202/872-8190, ext. 47.

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